

# KENTUCKY ECONOMIC INDICATORS

June 2007 as of August 28, 2007

## **KY Composite Index of Leading Indicators decreased by 2.4 percent in June.**

- The Leading Index decreased for the fourth time this year.
- Year-over-year growth decreased by 0.1 percent.
- The component indicators were mostly negative 1:4.
  - KY Labor Intensity Index decreased 1.1 percent.
  - KY Index of Initial UI Claims decreased by 3.8 percent.
  - US Retail Sales decreased by 8.3 percent.
  - + US Manufacturer's New Orders Index increased 8.2 percent.
  - Louisville Help Wanted Index decreased by 2 points to 28.

*Component weights for June are 61.7, 17.3, 12.6, 6.6 and 1.9 respectively.*

## **KY Composite Index of Coincident Indicators increased by 2.3 percent in June.**

- The Coincident Index is positive for the fourth time this year.
- Year-over-year growth is positive for the forty-seventh consecutive month at 1.4 percent.
- Component indicators are mostly positive 2:1.
  - KY Nonagricultural Employment decreased 1.4 percent.
  - + US Industrial Production Index increased 7.0 percent.
  - + US Personal Income Less Transfers increased 4.6 percent.

*Component weights for June are 37.9, 26.9 and 22.5 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

The Kentucky Leading Index has now declined four times in the last six months. It is down by 0.2 points compared to last June. In the past year, there is neither growth nor decline in the Kentucky Leading Index. The series continues to modulate between the bands 109.5 and 110.0. The lack of growth is driven by the Kentucky Labor Intensity Index, which also has shown no growth for the last year. The Labor Intensity Index has a low of 105.0 and a high of 105.4 since June 2006. Year-over-year growth was 0.1 indicating that there has been a slight increase in overall standing since last year, but the trend is barely noticeable.

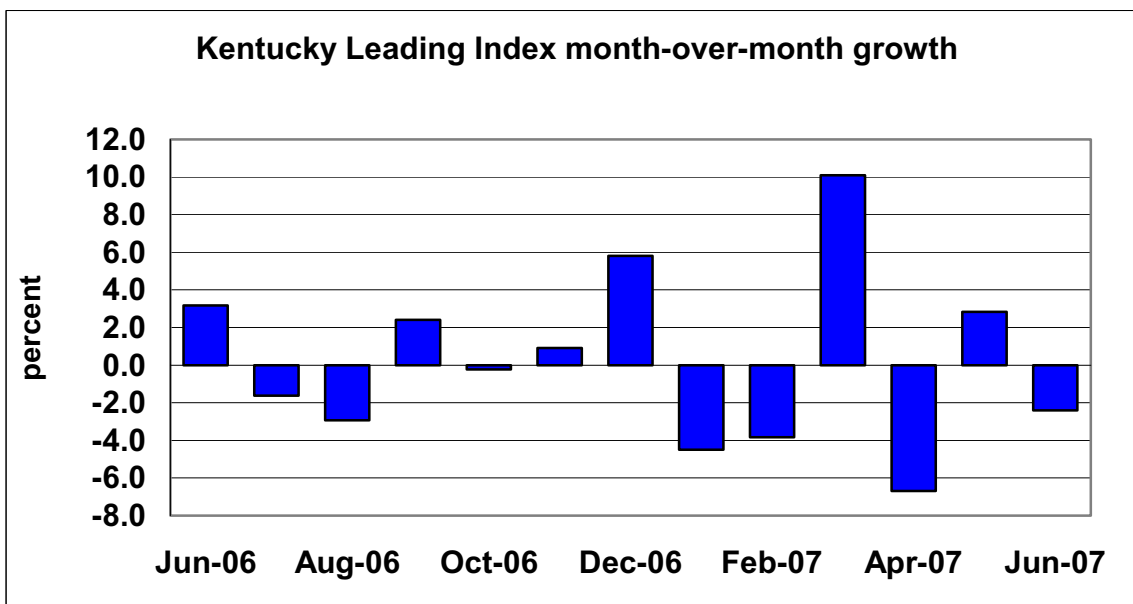
Kentucky manufacturing employment was up slightly in June to 257,400 jobs. However since June of last year, manufacturing employment is down 4,700 seasonally adjusted jobs. So while the Kentucky Labor Intensity Index has been flat, it has resisted the downward pressure that has plagued other manufacturing sectors in the last year. In March 2000, the last peak before the 2001 recession, manufacturing employment composed 16.9 percent of total nonagricultural employment in Kentucky. In June 2007, manufacturing employment composed 13.9 percent of total nonagricultural employment in Kentucky. This ratio is still higher than the US aggregate, where 10.3 percent of total nonagricultural employment is composed of manufacturing jobs. Total Kentucky nonagricultural employment surpassed its pre-recession peak of 1,831,900 jobs (in fact, as of June 2007 it has made up 140.5 percent of its recession losses), while manufacturing employment has lost a net 54,700 jobs since March 2000 (this is a 17.5 percent reduction in the manufacturing sector compared to the March 2000 level). It is not clear if Kentucky manufacturing employment has reached its post-recession trough yet.

The Kentucky Index of Initial Unemployment Insurance Claims is a volatile series and has become more volatile in the last six months than in the prior year. Despite the increase in volatility, the series has not strayed far from its June 2006 level of 103.8. This index is actually more optimistic for Kentucky than it first appears. The US component, US Initial Claims, increased by 12,000 persons for June. The Kentucky component, Kentucky First Payments, decreased by 401 persons for June. The index is an inverted index and the large US Initial Claims movement outweighed the smaller, beneficial Kentucky movement. Therefore, the Kentucky Index of Initial Unemployment Insurance Claims is negative for June. But the fact remains that Kentucky First Payments were down, which means that fewer people entered the unemployment line for the first time than in May.

The Louisville Help Wanted Index continues to fall to new lows. Twenty-eight is an all-time low value for the index if you exclude the preliminary value of 27 (from April 2007), which was later revised up to 43 points. The Louisville Help Wanted Index carries the smallest weight in the Kentucky Leading Index because it is so volatile from month to month.

The US Manufacturer's New Orders Index, the only positive component for June, gained 8.2 percent compared to May 2007. This was not enough to help it overcome the large losses in May. The series is down a net 3.2 points over June 2006.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

#### Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.ky.gov](http://www.osbd.ky.gov)

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2006						2007						
	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
KY Leading Index (1992=100)	109.8	109.6	109.3	109.6	109.5	109.6	110.1	109.7	109.4	110.2	109.6	109.9	109.6
% Chg Previous Month SAAR	3.2	-1.6	-2.9	2.4	-0.2	0.9	5.8	-4.5	-3.8	10.1	-6.7	2.8	-2.4
% Chg Same Month Last Year	0.4	0.4	-0.1	0.2	-0.1	-0.4	0.1	-0.4	-0.5	0.2	-0.2	0.4	-0.1
KY Leading Index Diffusion Index	63.3	56.7	60.0	60.0	66.7	73.3	73.3	76.7	73.3	80.0	70.0	70.0	56.7
KY Coincident Index (1992=100)	134.7	134.6	134.9	135.0	135.4	135.4	135.8	135.6	136.0	136.2	136.4	136.3	136.6
% Chg Previous Month SAAR	4.7	-1.2	2.6	1.0	3.1	0.3	3.9	-1.4	3.5	1.8	1.6	-0.8	2.3
% Chg Same Month Last Year	2.3	2.1	3.1	2.7	2.6	2.0	1.9	1.6	1.7	1.6	1.6	1.6	1.4
KY Nonag Employment (000s)	1,845.6	1,838.9	1,846.3	1,845.8	1,844.0	1,846.1	1,850.9	1,854.3	1,854.1	1,858.8	1,856.7	1,856.8	1,854.6
% Chg Previous Month SAAR	0.3	-4.3	4.9	-0.3	-1.2	1.4	3.2	2.2	-0.1	3.1	-1.3	0.1	-1.4
% Chg Same Month Last Year	1.2	0.8	0.8	0.8	0.8	0.6	0.9	0.7	0.6	0.5	0.8	0.6	0.5
KY Private Services Employment (000s)	1,161.7	1,158.1	1,158.2	1,160.5	1,160.8	1,161.7	1,163.9	1,169.9	1,170.9	1,174.9	1,170.2	1,171.8	1,171.2
% Chg Previous Month SAAR	1.8	-3.7	0.1	2.4	0.3	1.0	2.3	6.3	1.0	4.2	-4.7	1.6	-0.6
% Chg Same Month Last Year	1.7	1.1	1.0	1.0	1.3	1.1	1.2	1.4	1.3	1.0	1.0	1.0	0.8
KY Mfg Employment (000s)	262.1	257.6	261.1	261.3	259.4	260.6	262.1	260.9	259.7	255.7	260.1	257.0	257.4
% Chg Previous Month SAAR	1.8	-18.8	17.6	0.9	-8.4	5.7	7.1	-5.4	-5.4	-17.0	22.7	-13.4	1.9
% Chg Same Month Last Year	-0.2	0.3	-0.3	-0.3	-1.1	-1.0	0.1	-0.9	-1.3	-2.8	-0.9	-1.8	-1.8
KY Unemployment Rate (%)	5.7	5.7	5.7	5.7	5.7	5.6	5.4	5.6	5.7	5.4	5.3	5.5	5.4
KY Index of Initial UI Claims	103.8	103.5	102.3	102.9	103.1	102.7	103.5	103.9	102.2	103.6	102.7	103.9	103.6
% Chg Previous Month SAAR	9.2	-2.9	-13.2	6.8	2.3	-4.9	9.8	4.7	-17.6	17.9	-10.0	15.6	-3.8
% Chg Same Month Last Year	0.6	0.3	-0.8	2.2	0.3	-1.0	-0.3	-1.1	-2.0	-0.4	-1.5	0.9	-0.2
KY Labor Intensity Index (1992=100)	105.1	105.0	105.1	105.0	105.1	105.2	105.2	105.3	105.2	105.2	105.4	105.3	105.2
% Chg Previous Month SAAR	1.8	-1.1	0.9	-0.7	0.9	0.7	1.0	1.3	-1.2	0.0	1.2	-0.6	-1.1
% Chg Same Month Last Year	0.2	0.4	0.2	0.1	0.2	0.2	0.1	0.1	0.0	0.0	0.5	0.3	0.1
Louisville HWI (1992=100)	37.0	34.0	32.0	35.0	36.0	38.0	42.0	35.0	31.0	43.0	29.0	30.0	28.0
% Chg Previous Month SAAR	94.8	-63.7	-51.7	193.1	40.2	91.3	232.3	-88.8	-76.7	4,973.2	-99.1	50.2	-56.3
% Chg Same Month Last Year	-9.8	-17.1	-30.4	-37.5	-33.3	-26.9	-19.2	-20.5	-26.2	7.5	-27.5	-14.3	-24.3
GF Total Tax Receipts (\$ mill)	808.7	578.7	553.1	834.7	630.1	630.7	881.4	682.8	544.3	652.7	671.9	784.7	788.6
% Chg Same Month Last Year	9.5	0.8	-0.4	7.2	-0.4	-0.1	5.4	0.2	7.1	9.1	-11.2	11.3	-2.5
GF Sales & Use Receipts (\$ mill)	230.8	249.3	230.4	224.0	242.5	223.8	238.9	286.2	193.6	212.5	202.4	270.9	243.0
% Chg Same Month Last Year	5.1	4.6	6.0	-2.4	2.9	2.4	4.4	-1.0	1.3	3.9	-12.2	15.1	5.3
GF Income Tax Receipts (\$ mill)	259.5	228.6	227.4	281.8	248.4	242.6	269.2	202.1	227.1	204.0	283.4	337.8	289.0
% Chg Same Month Last Year	-2.6	-4.0	-9.3	1.4	-4.2	3.7	5.9	-8.5	14.1	19.0	-16.7	58.6	11.4

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2006												2007													
	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUN	MAY	APR	MAR	FEB	JAN	DEC	NOV	OCT	SEP	AUG	JUL	JUN
US Leading Index (1996=100)	137.8	137.5	137.0	137.6	137.6	137.6	138.4	137.9	137.1	137.9	137.6	137.9	137.5	137.8	137.9	137.6	137.9	137.1	137.9	138.4	137.6	137.6	137.6	137.0	137.5	137.8
% Chg Previous Month SAAR	1.8	-2.6	-4.3	5.4	0.0	0.0	7.2	-4.3	-6.7	7.2	-2.6	2.6	-3.4	1.8	2.6	-2.6	7.2	-6.7	-4.3	0.0	0.0	0.0	5.4	-4.3	-2.6	1.8
% Chg Same Month Last Year	0.9	0.7	0.2	1.4	0.7	-0.2	0.1	-0.5	-0.6	-0.4	-0.4	0.2	-0.2	0.9	0.2	-0.4	-0.4	-0.6	-0.5	0.1	-0.2	0.7	1.4	0.2	-0.2	0.9
US Coincident Index (1996=100)	122.0	122.2	122.5	122.6	123.0	123.0	123.4	123.3	123.5	123.8	124.0	124.1	124.4	122.0	124.1	124.0	123.8	123.5	123.3	123.4	123.0	123.0	122.6	122.5	122.2	122.0
% Chg Previous Month SAAR	2.0	2.0	3.0	1.0	4.0	0.0	4.0	-1.0	2.0	3.0	2.0	1.0	2.9	2.0	1.0	2.0	3.0	2.0	-1.0	4.0	0.0	4.0	1.0	3.0	2.0	2.0
% Chg Same Month Last Year	2.3	2.2	3.2	2.8	2.8	2.2	2.2	1.8	1.8	1.8	1.9	1.9	2.0	2.3	1.9	1.9	1.8	1.8	1.8	2.2	2.2	2.8	2.8	3.2	2.2	2.3
US Non-Farm Employment (Mil.)	136.0	136.3	136.4	136.6	136.7	136.9	137.2	137.3	137.4	137.6	137.7	137.9	138.0	136.0	137.9	137.7	137.6	137.4	137.3	137.2	136.9	136.7	136.6	136.4	136.3	136.0
% Chg Previous Month SAAR	1.1	2.0	1.7	1.8	1.0	1.7	2.0	1.4	0.8	1.5	1.1	1.7	1.1	1.1	1.7	1.1	1.5	0.8	1.4	2.0	1.7	1.8	1.7	1.7	2.0	1.1
% Chg Same Month Last Year	1.8	1.7	1.7	1.8	1.8	1.7	1.7	1.6	1.5	1.4	1.4	1.5	1.5	1.8	1.5	1.4	1.4	1.5	1.6	1.7	1.7	1.8	1.8	1.7	1.7	1.8
US Service-Providing Employment (Mil.)	113.4	113.6	113.8	114.0	114.2	114.4	114.6	114.8	115.0	115.1	115.3	115.5	115.6	113.4	115.5	115.3	115.1	115.0	114.8	114.6	114.4	114.2	114.0	113.8	113.6	113.4
% Chg Previous Month SAAR	1.1	2.3	1.9	2.2	1.7	2.6	2.4	1.3	1.9	1.5	1.7	2.1	1.4	1.1	2.1	1.7	1.5	1.9	1.3	2.4	2.6	1.7	2.2	1.9	2.3	1.1
% Chg Same Month Last Year	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.8	1.7	1.7	1.8
US Manufacturing Employment (000s)	14,238.0	14,229.0	14,218.0	14,206.0	14,166.0	14,143.0	14,131.0	14,130.0	14,113.0	14,090.0	14,072.0	14,069.0	14,056.0	14,238.0	14,069.0	14,072.0	14,090.0	14,113.0	14,130.0	14,131.0	14,143.0	14,166.0	14,206.0	14,218.0	14,229.0	14,238.0
% Chg Previous Month SAAR	2.0	-0.8	-0.9	-1.0	-3.3	-1.9	-1.0	-0.1	-1.4	-1.9	-1.5	-0.3	-1.1	2.0	-0.3	-1.5	-1.9	-1.4	-0.1	-1.0	-1.9	-3.3	-1.0	-0.9	-0.8	2.0
% Chg Same Month Last Year	0.1	0.1	0.1	0.2	-0.2	-0.4	-0.5	-0.6	-0.7	-0.9	-1.1	-1.0	-1.3	0.1	-1.0	-1.1	-0.9	-0.7	-0.6	-0.5	-0.4	-0.2	0.2	0.1	0.1	0.1
US Unemployment Rate (%)	4.6	4.8	4.7	4.6	4.4	4.5	4.5	4.6	4.5	4.4	4.5	4.5	4.5	4.6	4.5	4.5	4.4	4.5	4.6	4.5	4.5	4.4	4.6	4.7	4.8	4.6
US Manufacturer's New Orders Index (1996=100)	132.4	131.1	129.4	132.2	129.0	129.0	132.3	125.7	126.2	129.8	130.4	128.3	129.2	132.4	128.3	130.4	129.8	126.2	125.7	132.3	129.0	129.0	132.2	129.4	131.1	132.4
% Chg Previous Month SAAR	2.6	-11.2	-14.6	28.6	-25.1	0.1	34.7	-45.9	5.1	39.6	6.3	-17.7	8.2	2.6	-17.7	6.3	39.6	5.1	-45.9	34.7	0.1	-25.1	28.6	-14.6	-11.2	2.6
% Chg Same Month Last Year	-1.0	1.0	-3.0	0.6	-2.6	-6.0	-3.0	-5.3	-4.7	-4.0	-1.5	-2.9	-2.5	-1.0	-2.9	-1.5	-4.0	-4.7	-5.3	-3.0	-6.0	-2.6	0.6	-3.0	1.0	-1.0
US Initial Claims for UI (000s)	309.7	312.7	316.3	315.3	314.1	327.4	320.0	310.3	338.2	316.3	328.9	307.6	319.6	309.7	307.6	328.9	316.3	338.2	310.3	320.0	327.4	314.1	315.3	316.3	312.7	309.7
% Chg Previous Month SAAR	-55.6	12.3	14.7	-3.7	-4.5	64.5	-24.0	-30.9	181.0	-55.2	59.8	-55.2	58.3	-55.6	-55.2	59.8	-55.2	181.0	-30.9	-24.0	64.5	-4.5	-3.7	14.7	12.3	-55.6
% Chg Same Month Last Year	-4.4	-2.2	-0.1	-20.2	-8.2	3.8	1.9	6.9	10.9	3.0	5.5	-7.2	3.2	-4.4	-7.2	5.5	3.0	10.9	6.9	1.9	3.8	-8.2	-20.2	-0.1	-2.2	-4.4
US Industrial Production Index	111.9	112.3	112.5	112.2	112.0	111.5	112.2	111.7	112.5	112.4	113.1	112.8	113.5	111.9	112.8	113.1	112.4	112.5	111.7	112.2	111.5	112.0	112.2	112.5	112.3	111.9
% Chg Previous Month SAAR	11.2	4.9	2.3	-3.7	-1.8	-4.9	7.8	-5.7	9.5	-1.1	6.9	-2.4	7.0	11.2	6.9	6.9	-1.1	9.5	-5.7	7.8	-4.9	-1.8	-3.7	2.3	4.9	11.2
% Chg Same Month Last Year	4.3	4.7	4.6	6.0	4.6	3.0	2.8	2.4	2.9	2.2	1.9	1.8	1.4	4.3	1.9	1.9	2.2	2.9	2.4	2.8	3.0	4.6	6.0	4.6	4.7	4.3
US Personal Income Less Trans. (Bil. 2000 chained)	8,147.6	8,121.9	8,124.7	8,189.6	8,310.5	8,344.2	8,363.9	8,341.7	8,374.7	8,402.3	8,412.2	8,407.6	8,438.9	8,147.6	8,407.6	8,412.2	8,402.3	8,374.7	8,341.7	8,363.9	8,344.2	8,310.5	8,189.6	8,124.7	8,121.9	8,147.6
% Chg Previous Month SAAR	7.5	-3.7	0.4	10.0	19.2	5.0	2.9	-3.1	4.9	4.0	1.4	-0.7	4.6	7.5	-0.7	1.4	4.0	4.9	-3.1	2.9	5.0	19.2	10.0	0.4	-3.7	7.5
% Chg Same Month Last Year	3.1	2.3	7.0	3.6	4.7	4.1	3.5	3.2	3.3	3.6	3.5	3.8	3.6	3.1	3.5	3.5	3.6	3.3	3.2	3.5	4.1	4.7	3.6	7.0	2.3	3.1
CPI, All Urban (1982-84=100)	202.4	203.2	203.8	202.7	201.8	201.9	202.8	203.2	203.9	205.1	206.0	207.4	207.8	202.4	207.4	206.0	205.1	203.9	203.2	202.8	201.9	201.8	202.7	203.8	203.2	202.4
% Chg Previous Month SAAR	3.0	4.8	3.6	-6.3	-5.2	0.6	5.5	2.1	4.5	7.5	5.1	8.4	2.3	3.0	8.4	5.1	7.5	4.5	2.1	5.5	0.6	-5.2	-6.3	3.6	4.8	3.0
% Chg Same Month Last Year	4.3	4.2	3.9	2.1	1.3	2.0	2.5	2.1	2.4	2.8	2.6	2.7	2.7	4.3	2.7	2.6	2.8	2.4	2.1	2.5	2.0	1.3	2.1	3.9	4.2	4.3
US Retail Sales (\$Billions)	360.5	364.2	364.2	362.0	362.0	363.2	367.3	367.2	369.3	372.9	371.7	377.7	375.0	360.5	377.7	371.7	372.9	369.3	367.2	367.3	363.2	362.0	362.0	364.2	364.2	360.5
% Chg Previous Month SAAR	3.8	13.2	0.1	-7.2	0.0	4.2	14.4	-0.4	6.9	12.2	-3.8	21.3	-8.3	3.8	21.3	-3.8	12.2	6.9	-0.4	14.4	4.2	0.0	-7.2	0.1	13.2	3.8
% Chg Same Month Last Year	5.4	4.7	6.3	5.4	4.9	4.5	5.6	2.2	3.6	4.4	2.8	5.1	4.0	5.4	5.1	2.8	4.4	3.6	2.2	5.6	4.5	4.9	5.4	6.3	4.7	5.4
US Consumer Expectations (1966=100)	72.0	72.5	68.0	78.2	84.8	83.2	81.2	87.6	81.5	78.7	75.9	77.6	74.7	72.0	77.6	75.9	78.7	81.5	87.6	81.2	83.2	84.8	78.2	68.0	72.5	72.0
% Chg Previous Month AR	91.7	8.7	-53.6	435.0	164.4	-20.4	-25.3	148.5	-57.9	-34.3	-35.3	30.4	-36.7	91.7	30.4	-35.3	-34.3	-57.9	148.5	-25.3	-20.4	164.4	435.0	-53.6	8.7	91.7
% Chg Same Month Last Year	-15.3	-15.2	-11.6	23.5	34.2	19.5	1.2	11.0	9.4	3.6	3.4	13.8	3.8	-15.3	13.8	3.4	3.6	9.4	11.0	1.2	19.5	34.2	23.5	-11.6	-15.2	-15.3
Ave. Prime Interest Rate (% NSA)	8.02	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.02	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.02